

SCS SB 427, HCA 1 -- SECURITIES REGULATION

SPONSOR: Bartle (Luetkemeyer)

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Services by a vote of 15 to 0.

This substitute substantially revises and modernizes the securities regulation laws, incorporating many provisions of the Uniform Securities Act. In its main provisions, the substitute:

- (1) Authorizes the Secretary of State to seek court orders requiring violators to disgorge illicit profits, pay restitution, and pay into the Investor Education and Protection Fund, which the substitute establishes;
- (2) Increases criminal fines to \$1 million;
- (3) Requires banks with on-premise brokerage firms to comply with federal rules;
- (4) Modernizes, simplifies, and broadens exemptions from securities registration with the state;
- (5) Promotes consistency with other states and the Securities and Exchange Commission in the definition of "security";
- (6) Authorizes civil prosecution of individuals who materially aid in violations; and
- (7) Adds civil penalties of \$10,000 for one violation and up to \$1 million for more than one violation.

HCA 1 -- Clarifies the definition of "security."

FISCAL NOTE: No impact on state funds.

PROPONENTS: Supporters say that the bill as it passed the Senate modernizes current law regulating securities to make it uniform and consistent with federal law. The bill allows the state to enforce regulations designed to prevent fraud through administrative actions and state courts, allows victims of securities fraud to get restitution from the criminals, increases fines (so that the fines are not just a "cost of doing illegal business"), codifies many industry standards, and makes it easier for the Attorney General to enforce the law and seize ill-gotten gains of those committing fraud.

Testifying for the bill were Senator Bartle; Representative Luetkemeyer; Office of the Secretary of State; and Office of the

Attorney General.

OPPONENTS: There was no opposition voiced to the committee.

Richard Smreker, Senior Legislative Analyst